



Office of Missouri State Auditor  
**Nicole Galloway, CPA**

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**Office of State Treasurer**  
Period July 1, 2016 through January 9, 2017



## Findings in the closeout audit of the Office of State Treasurer

### Background

The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest-bearing time deposits at Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, short-term U.S. government securities, or certain allowable commercial paper and banker's acceptances.

The State Treasurer operates in four major functional areas (1) accounting and banking services, (2) disbursements and records, (3) investments and deposit programs, and (4) unclaimed property. Auditors reviewed selected policies and procedures and financial records, interviewed personnel, and reviewed selected transactions.

On January 14, 2013, Clint Zweifel was inaugurated for his second term as the forty-fifth Treasurer of the state of Missouri. His term expired on January 9, 2017. On January 9, 2017, Eric Schmitt was inaugurated as the forty-sixth Treasurer of the state of Missouri. His term will expire in January 2021.

### Findings

The audit identified no significant deficiencies in internal controls, no significant noncompliance with legal provisions, and no significant deficiencies in management practices and procedures. No findings resulted from this audit.

In the areas audited, the overall performance of this entity was **Excellent**.\*

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our Web site: [auditor.mo.gov](http://auditor.mo.gov)**

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# Office of State Treasurer

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

Honorable Clint Zweifel  
and  
Honorable Eric Schmitt, State Treasurer  
Jefferson City, Missouri

We have audited certain operations of the Office of State Treasurer, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the period of July 1, 2016, through January 9, 2017. The objectives of our audit were to:

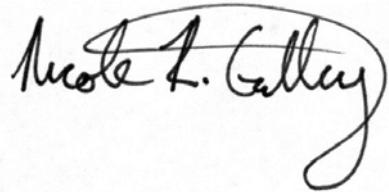
1. Evaluate the office's internal controls over significant management and financial functions.
2. Evaluate the office's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. No findings resulted from our audit of the Office of State Treasurer.



Nicole R. Galloway, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Gayle Garrison
Audit Staff:	Jennifer Anderson
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# Office of State Treasurer

## Organization and Statistical Information

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The office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest-bearing time deposits at Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, short-term U.S. government securities, or certain allowable commercial paper and banker's acceptances.

The Office of State Treasurer operates in four major functional areas (1) accounting and banking services, (2) disbursements and records, (3) investments and deposit programs, and (4) unclaimed property.

The accounting and banking services area (1) maintains a fund accounting system to fulfill a statutory responsibility to keep separate accounts of the funds of the state and to allocate investment interest to funds, (2) maintains ledger controls on fund balances and appropriations to assure that no check is issued that exceeds the lawful appropriated balances, (3) controls receipt of state monies collected by state agencies and deposited in local banks throughout the state, (4) reconciles bank activity to receipt and disbursement activity reflected on the state books, (5) determines the amount of state monies not needed for current operating expenses, and (6) confirms daily disbursements with the bank as certified by the Office of Administration.

The disbursements and records area provides processing support to other areas of the office by (1) retrieving state checks and (2) controlling and processing outlawed checks and processing and verifying claims for replacement checks.

The investments area places state monies not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, commercial paper, banker's acceptances, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The Unclaimed Property Division administers Missouri's Unclaimed Property Act (Chapter 447, RSMo). The Unclaimed Property Division is responsible for (1) ensuring unclaimed property is reported, (2) receiving and recording reports of unclaimed property, (3) depositing unclaimed funds to the Abandoned Fund Account Fund, (4) maintaining custody and safekeeping of abandoned or unclaimed physical property, and (5) processing owner claims for abandoned funds or physical property.

On January 14, 2013, Clint Zweifel was inaugurated for his second term as the forty-fifth Treasurer of the state of Missouri. His term expired on January 9, 2017.



## Office of State Treasurer Organization and Statistical Information

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On January 9, 2017, Eric Schmitt was inaugurated as the forty-sixth Treasurer of the state of Missouri. His term will expire in January 2021.

### Financial Activity

A summary of the office's operating financial activity is presented in the following Appendix.

## Appendix

Office of State Treasurer  
 Statement of Appropriations and Expenditures  
 Period July 1, 2016 to January 9, 2017

### GENERAL REVENUE FUND

Issuing duplicate/outlawed checks  
 Debt service and maintenance on the Edward Jones Dome  
 Refunds of excess interest from the linked deposit program  
 Total General Revenue Fund

	Appropriation Authority	Expenditures	Encumbered	Uncommitted Appropriations
\$	1,500,000	1,343,462	0	156,538
	12,000,000	6,000,000	0	6,000,000
	2,500	0	0	2,500
	<b>13,502,500</b>	<b>7,343,462</b>	<b>0</b>	<b>6,159,038</b>

### TREASURER'S GENERAL OPERATIONS FUND

Personal service  
 Expense and equipment  
 Total Treasurer's General Operations Fund

1,649,870	730,598	84,826	834,446
270,672	88,804	931	180,937
<b>1,920,542</b>	<b>819,402</b>	<b>85,757</b>	<b>1,015,383</b>

### TREASURER'S INFORMATION FUND

Expense and equipment  
 Total Treasurer's Information Fund

8,000	5	0	7,995
<b>8,000</b>	<b>5</b>	<b>0</b>	<b>7,995</b>

### CENTRAL CHECK MAILING SERVICE REVOLVING FUND

Personal service  
 Expense and equipment  
 Total Central Check Mailing Service Revolving Fund

12,382	6,358	532	5,492
225,000	33,896	734	190,370
<b>237,382</b>	<b>40,254</b>	<b>1,266</b>	<b>195,862</b>

### ABANDONED FUND ACCOUNT FUND

Personal service  
 Expense and equipment  
 Advertising and auctions  
 Payment of claims for abandoned property  
 Total Abandoned Fund Account Fund  
 Total All Funds

597,664	286,354	24,064	287,246
98,600	29,553	774	68,273
1,475,000	243,057	862	1,231,081
22,500,000	21,523,486	0	976,514
<b>24,671,264</b>	<b>22,082,450</b>	<b>25,700</b>	<b>2,563,114</b>
<b>\$ 40,339,688</b>	<b>30,285,573</b>	<b>112,723</b>	<b>9,941,392</b>